

**STAFF SUMMARY AND RECOMMENDATION  
SCRIPPS HEALTH  
Series 1991B**

**First Amendment to Indenture  
May 30, 2002**

**ORIGINAL ISSUE AMOUNT:**    **Series 1991B, \$31,500,000**

**ISSUE:**            Scripps Health requests an amendment to the Series 1991 B Indenture to reduce the term of Bank Bonds from seven to five years.

**BACKGROUND:**    Scripps, under the terms of the 1991B Indenture, is required to retain the services of a Liquidity Provider. The indenture specifies that if the Liquidity Provider's standby bond purchase agreement is called upon, its "Bank Bonds" will be paid off, or "termed-out" in seven years. Dexia, the current Liquidity Provider for the Scripps 1991B series bonds, prefers not to extend the existing standby bond purchase agreement beyond the June 28, 2002 expiration date.

Northern Trust Company has delivered a Commitment Letter to Scripps as a qualifying Alternate Liquidity Facility and has requested that if its standby bond purchase agreement is called upon, its Bank bonds will be termed-out in not more than five years. The seven-year term-out specified in the existing indenture was more acceptable in the market place in the early 1990's.

MBIA, as bond insurer, is agreeable to having Northern Trust Company become the new liquidity provider and the rating agencies anticipate the ratings will not be lowered or withdrawn as a result of the substitution. The Indenture can be amended, with MBIA's consent, by Section 9.01(B)(6) to "conform to the terms and provisions of any Alternate Liquidity Facility". Bondholder consent is not required.

**RECOMMENDATION:**    Staff recommends the Authority approve and authorize execution and delivery of the First Amendment to Indenture for Scripps Health (formerly Scripps Memorial Hospitals) Insured Revenue Bonds 1991 Series B which amends section 4.01(E) to specify that if the standby liquidity provider is called upon, the Bank bonds will be termed-out in five years.